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CENTRAL VALLEY PROJECT  
M&I WATER SHORTAGE POLICY  
March 9, 2001

The Central Valley Project (CVP) is operated pursuant to Federal statutes authorizing the CVP and in accordance with the terms and conditions of water rights acquired pursuant to California law. During any year, there may occur a shortage in the quantity of CVP water that can be made available to an M&I contractor pursuant to its contract. The cause of the water shortage may be drought, unavoidable causes, or restricted operations resulting from legal obligations or mandates including but not limited to the Endangered Species Act, the Central Valley Project Improvement Act (CVPIA), and conditions of the CVP's water rights (currently the State Water Resources Control Board (SWRCB) Decision-1641 and the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary).

The purpose of the M&I Water Shortage Policy is to provide:

- (1) a CVP-wide water shortage policy that is applicable to all M&I contractors,
- (2) a minimum level of water supply that, in combination with the M&I contractor's drought water conservation measures and other water supplies would sustain urban areas during drought situations, and during severe or continuing drought situations, to the extent possible, provide at a minimum a water supply to sustain public health and safety levels.
- (3) sufficient information to M&I contractors for their use in developing future drought contingency plans.

It is Reclamation's intent that the M&I Water Shortage Policy will be implemented consistent with the intent of the June 9, 1997 Central Valley Project Improvement Act Administrative Proposal on Urban Water Supply Reliability.

At the present time, M&I contractors generally are not using their entire CVP M&I contractual water entitlement.<sup>1</sup> If the shortage allocation were currently applied to each M&I contractor's full contract entitlement, some M&I contractors would have an allocation greater than their present demand. M&I water demands within the CVP are continually increasing. Therefore, the provision for 75% M&I reliability will be applied to a contractor's historical use, adjusted for growth, extraordinary water conservation measures, and non-CVP water supplies, up to the amount of the M&I contractor's contractual water entitlement and limited however by the amount of CVP projected M&I demand as of September 30, 1994 pursuant to provision 3. (Application of these terms will be as provided below in the

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<sup>1</sup> The 2000 CVP M&I Water Rates book shows the total of CVP M&I paid water deliveries as 350,121 acre-feet in 1998 and projected M&I demand to be approximately 790,000 acre-feet by the year 2025.

“Definition of Terms.”) Reclamation recognizes that as conservation measures are implemented there is a hardening of demand that lessens an M&I contractor’s ability to reduce demands during times of shortages.

The capability of the CVP to meet the supply levels addressed by this policy are subject to the availability of CVP water supplies. M&I water allocations may differ between divisions of the CVP. Generally, allocations to divisions will be the same, unless specific operational constraints occur which do not allow Reclamation to provide the same allocation as other CVP divisions.

Reclamation agreed to explore the concept of two tiers proposed by the contractors in the CVPIA Administrative Proposal for Urban Reliability in future discussions. Reclamation will not adopt a two tier policy, but will facilitate the sale of CVP water from willing sellers to M&I contractors when necessary.

Policy Terms and Conditions for M&I Reliability and CVP Water supply allocation:

1. Allocations of M&I water under this policy shall be based on the contractor’s historical use of CVP M&I water, adjusted for: (a) growth, (b) extraordinary water conservation measures, and (c) non-CVP water supplies. The term “historical use” of CVP M&I water as used for purposes of this policy and calculation of the water supply allocation, shall not exceed the M&I contractor’s contract entitlement to CVP M&I water or the amount of CVP projected M&I demand as of September 30, 1994 pursuant to provision 3. This Policy is not intended to penalize contractors for implementation of extraordinary conservation measures or for use of non-CVP water supplies. To encourage CVP contractors to develop non-CVP water supplies, Reclamation will adjust the historical use calculation for use of non-CVP water supplies used if such non-CVP supplies were used instead of using the contractor’s CVP supplies, and it is demonstrated that use of such non-CVP water actually reduced the contractor’s use of CVP water supplies. Crediting of the use of non-CVP water shall be on a one-for-one basis, unless agreed to otherwise under unique circumstances. Crediting of such non-CVP water use in adjusting the historical use calculation will need to be documented by the contractor and submitted in writing to Reclamation showing how such non-CVP water use actually reduced the contractor’s use or reliance of CVP water supplies in other years.
2. For an M&I contractor to be eligible for a minimum allocation in time of shortage of 75 percent of historical use as adjusted, the M&I contractor must have developed and be implementing a water conservation plan that meets CVPIA criteria and measuring such water as required under section 3405(b) of the CVPIA as implemented in the contractor’s CVP contract.
3. This M&I water shortage policy applies only to that portion of the CVP water

identified as projected M&I demand as of September 30, 1994, as shown for the year 2030 on Schedule A-12 of the 1996 Municipal and Industrial Water Rates book and those contract quantities specified in section 206 of Public Law 101-514. Subject to the foregoing, except as provided for public health and safety levels pursuant to provision 7, irrigation water transferred and/or converted to M&I use after September 30, 1994 will be subject to shortage allocation as irrigation water.

4. Before allocations of M&I water to a contractor are reduced, allocations of irrigation water shall be reduced below 75% of contract entitlement. See Table 1, below.

**Table 1**  
**Allocation of Irrigation and M&I Water**

Irrigation Allocations	M&I Allocation
100%	100%
95%	100%
90%	100%
85%	100%
80%	100%
75%	100%

5. When allocations of irrigation water have been reduced below 75 percent of contract entitlement, and if further reductions are necessary, the M&I water allocations and irrigation water allocations will be reduced by the same percentage increment. Reductions of the M&I water allocation historical use (adjusted as provided in this policy). Reductions of irrigation water allocations will be based on contract entitlement. The M&I allocation will be reduced by an equal percentage increment with reductions in irrigation water allocations, until the M&I allocations reaches 75 percent of historical use (adjusted as provided in this Policy), and irrigation allocations reach 50 percent of contract entitlement. At this point, the M&I allocation will not be further reduced until irrigation allocations are reduced below 25 percent of contract entitlement. This is illustrated in Table 2 below.

**Table 2**  
**Shortage Allocation of Irrigation and M&I Water**  
**When Irrigation Allocations fall below 75% Contract Entitlement**

Irrigation Allocation	M&I Allocation
70%	95%
65%	90%
60%	85%
55%	80%
50% - 25%	75%

6. When allocations of irrigation water are reduced below 25 percent of contract entitlement, Reclamation will need to reassess the availability of the CVP water supply and CVP water demand. Due to limited water supplies, M&I water allocations to contractors may be reduced below 75 percent of adjusted historical use.
7. For the public health and safety level, if the Governor of California declares an emergency due to water shortage, Reclamation will apply criteria consistent with those applied at that time by the State of California. If the State has not developed criteria, Reclamation will establish criteria consistent with those applied by similarly situated California M&I water supply entities for determining appropriate public health and safety levels and purposes of water use during times of severe drought. Reclamation will provide all CVP M&I contractors even those contractors with allocations of irrigation water that were transferred and/or converted to M&I use after September 30, 1994, with a water supply at the public health and safety level. At this time of extraordinary circumstances, Reclamation may determine it is necessary to vary the allocations of M&I water among contractors, taking into consideration the contractor's available non-CVP water supplies.
8. Each M&I contractor shall provide Reclamation with a copy of its Urban Water Management Plan or comparable plan which includes a drought contingency plan to protect public health and safety. Upon the contractor's request, Reclamation will consult with the contractor to adjust the contractor's historic use based on (a) growth, (b) extraordinary water conservation measures, and (c) use of non-CVP water supplies as defined by this policy.

**Definitions of terms used above include:**

- a. The basis for determining “historical use” shall be the CVP water deliveries to the contractor during the last year in which 100 percent of the contractor’s contract entitlement to CVP M&I water was made available to the contractor.
- b. The term “adjusted for growth” shall mean an adjustment made to the contractor’s historical use quantity to take into account increases in demand within the contractor’s service area beyond such historical use, including, but not limited to, demand increases attributable to (i) increases in population, and (ii) increases in the number of, or demand of, industrial, commercial, and other entities to whom the contractor serves water, provided that the contractor shall be required to provide reasonable documentation of such increases.
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c. The term “extraordinary water conservation measures” will mean water conservation activities in addition to the current best management practices developed by the California Urban water Conservation Council which continually change consistent with the state of the art for water conservation measures. For example, a water conservation measure considered extraordinary in 2001 may be a mandatory best management practice requirement in the year 2010 and thus would not be considered an extraordinary water conservation measure in the year 2010.
- d. The term “public health and safety” shall be those M&I uses to which water is allocated consistent with criteria established by the State of California, or by Reclamation consistent with those applied by similarly situated California M&I water supply entities, as applicable, during times of declared water shortage emergencies.
- e. The term “non-CVP water” shall mean for purposes of calculating historic use for this policy, those sources of water used from any source other than CVP water to satisfy M&I customer demand within the contractor’s service area that the contractor has been documented in writing to Reclamation that use of such non-CVP water actually reduced the contractor’s use or reliance of CVP water supplies in other years.